

**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

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**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

State Capitol, Room 113  
Sacramento, CA

Minutes of Meeting  
October 25, 2007

**COMMISSIONERS PRESENT**

Cathie Bennett Warner  
Michele Burton, M.P.H.  
Wilma Chan  
Jerome Horton  
John Longville  
Nancy McFadden

**COMMISSIONERS ABSENT**

Vicki Marti

**EX-OFFICIO MEMBERS PRESENT**

Toby Douglas, Department of Health Care Services

**EX-OFFICIO MEMBERS ABSENT**

Thomas Williams, Department of Finance

**CMAC STAFF PRESENT**

Keith Berger, Executive Director  
Tacia Carroll  
Paul Cerles  
Denise DeTrano  
Holland Golec  
Mark Klobberdanz  
Katie Knudson  
Genaro Rodriguez  
Steve Soto  
Becky Swol  
Mike Tagupa  
Mervin Tamai  
Karen Thalhammer

**I. Call to Order**

The October 25, 2007 open session meeting of the California Medical Assistance Commission (CMAC) was called to order by Chair Cathie Bennett Warner. A quorum was present.

**II. Approval of Minutes**

The October 11, 2007 meeting minutes were approved as prepared by CMAC staff.

### **III. Executive Director's Report**

Keith Berger, Executive Director, began his report by explaining that for all those interested, the handouts that the Hospital Association of Southern California and Los Angeles County brought to the last meeting will be put on the CMAC website later today as attachments to the minutes that were just approved.

Mr. Berger announced that CMAC is planning to move forward with the initiation of Round 3B of the Private Hospital Supplemental Fund next week. CMAC will be unable to present any amendments to the Commission for review and action until after the FY 2007-08 Final Disproportionate Share Hospital (DSH) list is issued by the Department of Health Care Services (DHCS), but by starting now, CMAC will be able to act on a more timely basis once the Final DSH list is out.

Because the Final DSH list is not yet available, Mr. Berger noted, CMAC will be initiating Round 3B negotiations with the hospitals that appear to be eligible for this fiscal year's private hospital supplemental payments based on the Tentative DSH list that was issued by DHCS. Mr. Berger said that only amendments for those hospitals that appear on the Final DSH list will be presented to the Commission for approval. Any hospitals that appear on the Final DSH list that were not on the Tentative DSH list will be added to the Round 3B process when that information becomes available.

Mr. Berger indicated that there are a small number of hospitals that were not available for supplemental payments in the base year of FY 2002-03 but were on the Tentative DSH List for the current year. By statute, he said, they were not eligible to participate in Round 3A. However, because Round 3B amendments will not be acted on until after this year's Final DSH List is issued, they are eligible for participation in Round 3B and will have their negotiated amendments acted on by the Commission assuming they are on the Final DSH List. Even though they are only participating in Round 3B, the full fiscal year needs of those hospitals will be considered in the negotiations.

Regarding the Nondesignated Public Hospital Supplemental Fund for FY 2007-08, Mr. Berger said staff will also be initiating on a concurrent basis the process for Round 3 of the fund. Since none of the hospitals potentially eligible for supplemental payments from this separate fund were eligible for supplemental payments in the base year of FY 2002-03, there is only one round, or process, each year since CMAC can only act on their amendments after the Final DSH List is issued.

Mr. Berger noted that when the letters are sent out to the tentatively eligible hospitals, staff will post a template of the letter and attachments, including a copy of the proposed schedule, on the CMAC website for public access.

Mr. Berger reported that CMAC staff will begin to work next on the initiation of the third year of negotiations for the Distressed Hospital Fund. DHCS has notified CMAC staff that their current estimates indicate there will not be a risk of any baseline deficiencies occurring in the second year of the hospital financing waiver.

He said that CMAC appreciates the DHCS' efforts because it will allow staff to start the Distressed Hospital Fund process much earlier than last year. Mr. Berger noted that there are a number of situations around the State where distressed funds, even though they are limited, can still be of great assistance to some individual hospitals and that making those funds available sooner will be very helpful.

By statute, Mr. Berger informed the Commissioners, backfilling prior year baseline deficiencies for safety net hospitals is the first priority use of any Distressed Hospital Fund dollars in the second year and all subsequent years of operation of the Fund. Since no baseline deficiencies are anticipated for last year, CMAC will be able to move forward with the first component of this year's distressed funding, which is comprised of the annual dollars transferred by statute from the reserves that were left in CMAC's prior supplemental Funds.

Mr. Berger reminded the Commissioners that last year, because CMAC started later in the fiscal year, staff was able to eventually include the second component of distressed funding as well in our final decisions. That is the funding that comes from the stabilization dollars calculated under the Hospital Demonstration Waiver. Mr. Berger noted that for FY 2007-08 CMAC does not anticipate knowing what that amount is, if any, for some time. If stabilization funds do become available, we will likely have to move forward with a new process to negotiate the distribution of those additional funds. If the amount does become available sooner, before CMAC finishes with the first component, staff will integrate the additional funds like last year.

Mr. Berger informed the Commissioners that in today's closed session, there are four hospital contracts and amendments before them for review and action, as well as several key updates and discussions regarding current hospital and managed care negotiations.

#### **IV. Department of Health Care Services (DHCS) Report**

Toby Douglas, DHCS, reminded CMAC that the Governor had released health care reform legislation two weeks ago. Mr. Douglas noted that the Administration continues to meet with various stakeholders to answer any of their questions and concerns. Specifically, the Administration has been working with the California Hospital Association to address the hospital fee modeling which generates \$3.3 billion in rate increases to hospitals for inpatient and outpatient services, bringing Medi-Cal rates to the maximum allowable under federal law. He said this also increases hospitals' Medi-Cal managed care rates as well as rates that will be received through the purchasing pool.

Regarding the Health Coverage Initiative, Mr. Douglas informed CMAC that almost all of the ten counties are up and running, and that DHCS has contracted with the University of Los Angeles (UCLA) to help evaluate and give DHCS information on the impact of this initiative in all 10 counties. The California HealthCare Foundation and California Endowment will be helping to fund these evaluations.

Regarding the State Plan Amendment (SPA) on the cost of physician services, Mr. Douglas noted that DHCS and Centers for Medicare and Medicaid Services (CMS) continue

to work on addressing any outstanding issues. A conference call between the State, various public hospitals and CMS will take place later this week.

**V. New Business/Public Comments/Adjournment**

There being no further new business and no comments from the public, Chair Bennett Warner recessed the open session. Chair Bennett Warner opened the closed session, and after closed session items were addressed, adjourned the closed session, at which time the Commission reconvened in open session. Chair Bennett Warner announced that the Commission had taken action on hospital contracts and amendments in closed session. The open session was then adjourned.